



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 563** SLS 12RS 117
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: June 3, 2012	1:10 PM	Author: WHITE
Dept./Agy.: Education		
Subject: Southeast Community School System		Analyst: Mary Kathryn Drago

SCHOOLS EN +\$1,200,000 GF EX See Note Page 1 of 2

Creates and provides for the Southeast Baton Rouge Community School Board and school system in East Baton Rouge Parish. (See Act)

The proposed legislation creates the Southeast Baton Rouge Community School Board and school system in East Baton Rouge (EBR) Parish. The legislation provides for an interim school board to serve without compensation. The legislation addresses several funding issues that will be handled between the East Baton Rouge Parish School System and the newly created Southeast Baton Rouge Community School Board. The proposed legislation will take effect and become operative if the proposed constitutional amendment, SB 299, is adopted at the statewide election to be held on November 6, 2012 and becomes effective or the proposed constitutional amendment, SB 305 is adopted at the statewide election to be held on November 6, 2012. The Southeast Baton Rouge Community School Board will begin providing for the education of students on July 1, 2013.

EXPENDITURES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$1,200,000	SEE BELOW	SEE BELOW	SEE BELOW	\$1,200,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

REVENUES	2012-13	2013-14	2014-15	2015-16	2016-17	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

State general fund expenditures are estimated to increase by \$1.2 million in FY 13-14 and local expenditures may increase over \$300,000 for startup costs in FY 12-13 if the Southeast Baton Rouge Community School System is created. The FY 11 -12 MFP was used to run a simulation including the Southeast Baton Rouge Community School System projected student count and associated local revenues which resulted in a net increase of \$1.2 million when compared to the change in the East Baton Rouge Parish System. The East Baton Rouge Parish School System’s state MFP allocation is estimated to decrease by \$17.6 million and the newly created Southeast Baton Rouge Community School District’s estimated state allocation is \$18.8 million.

The state and local impact is discussed in more detail below:

Local Impact

According to enrollment figures in the East Baton Rouge Parish School System, the estimated size of the Southeast Baton Rouge Community School System is approximately 6,800 students and includes 10 schools. The Central Community School System was created by Act 202 of the 2006 Regular Legislative Session. The Central School System incurred costs of approximately \$300,000 during their organizational period in 2007. The Southeast School System could have similar or slightly higher startup costs in FY 12-13 because the Southeast School System would be a larger system than Central. The interim school board members will serve without compensation. According to local revenue information for the Southeast School System, the new system will have approximately \$46 million in local funds available to operate the school system. The local revenue associated with the new school system will be transferred as well as any federal funding associated with the schools and students; this is not new funding. The amount of federal dollars that will be transferred has not yet been determined. Approximately \$18.8 million state general fund dollars will be available from the state through the MFP. The Southeast Baton Rouge School System would be able to expend all of these revenues on the education of their students. This fiscal note assumes that local resources will be obtained and used for expenditures for the start up costs for Southeast Baton Rouge.

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REVENUE EXPLANATION

The current revenues generated by this community will not be considered new revenues because it is essentially transferred from one system to another system. The corresponding constitutional amendment (SB 299) would allow the school system to raise local revenues, thus there may be an increase in local revenues in FY 13-14 and future fiscal years.

Senate	Dual Referral Rules	House	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input checked="" type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	H. Gordon Monk Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:
Expenditure Explanation continued:

The East Baton Rouge Parish School System will be required to transfer the land, buildings and facilities, instructional materials, equipment and required number of buses to the Southeast School System. The state funding available to East Baton Rouge Parish School System through the MFP will be approximately \$148 million. Approximately \$46 million from local revenue will be transferred to the Southeast School System. While East Baton Rouge Parish School System will have fewer children to educate and fewer state and local resources available if the legislation is implemented, according to the MFP simulation, East Baton Rouge will have \$245 more per pupil from the state allocation of the MFP. If the Southeast Baton Rouge Community School System is challenged in the judicial system by the East Baton Rouge Parish School System, the expenditures of the local systems may increase.

As a result of changes in the local revenues of East Baton Rouge Parish School System and the new Southeast School System recognized in the MFP formula, other school systems could realize between 0% up to a 0.027% reduction in their MFP allocation. Beginning in FY 13-14 and continuing through FY 17-18, the Board of Elementary and Secondary Education (BESE) is required to identify the districts that are negatively impacted by the creation of the Southeast district and determine the amount of the negative impact and subtract that total from Southeast to be redistributed to the other school systems.

In addition, East Baton Rouge Parish School System is required to annually itemize all post-employment benefits to be paid for the benefit of every individual hired by the Southeast Baton Rouge Community School System as a full-time employee. The itemized list will be submitted to Southeast for reimbursement until all benefits have been paid. A trust will be established, the "Legacy Benefit Trust for Retirees of the East Baton Rouge Parish School System" and within 12 months of beginning operation the Southeast Baton Rouge Community School System will deposit \$2.5 million into the trust. On or before July 1, 2012, BESE will appoint a study committee to analyze the impact of separation on post employment benefits owed to individuals who retired from the East Baton Rouge Parish School System prior to the operation of the Southeast Community School System. The study committee will determine the proportion of post employment benefits that Southeast will be required to deposit into the trust and the schedule of payments.

Beginning on July 1, 2013, the Southeast Baton Rouge Community School System will reimburse the East Baton Rouge Parish Facilities Improvement District an amount equal to the percentage of the debt service attributable to the construction completed within the boundaries of the Southeast Baton Rouge Community School System. The payment is to be made within 30 days of receipt of confirmation of payment of the debt service.

The total post-employment benefits, legacy benefits and debt service payment amounts have not yet been determined. The payments will be a transfer between the local school systems.

State Impact

The MFP simulation prepared using the Southeast Baton Rouge School System projected student count resulted in a net increase in the MFP of approximately \$1.2 million. This increase will occur when the system becomes operational. The effects on future fiscal years cannot be determined at this time. The effect on the MFP is an estimate using the latest data available, however, the actual impact may be different depending on the MFP resolution in effect when the new system begins. The potential increase in cost to the MFP is a result of separating the students and local revenue attributable to Southeast Baton Rouge and East Baton Rouge. The MFP formula now recognizes East Baton Rouge Parish to be less wealthy when taking into account the demographics of the students remaining and available revenue remaining, thus causing the state's share of the cost to increase. East Baton Rouge Parish is left with a higher state per pupil allocation.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input checked="" type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}		
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}		H. Gordon Monk Legislative Fiscal Officer